Multifamily Programs Local Partnerships

California Housing Finance Agency
Board of Directors

July 11, 2017



Agenda

- 1) Communication with Local Governments
- 2) Permanent Take-Out Loan Requirements
- 3) Conduit Issuance Policies
- 4) NOAH Lending with Local Partnerships
- 5) Further Partnership Opportunities



Locals' Letter to CalHFA

- June 16, 2017 letter from 8 local housing departments
 - Conduit issuance should be done by the locals that want to do it
 - Monitoring more effective at a local level
 - Revenue important for operations



















CalHFA Response

- Response letter sent to all signatories
- Individual discussions with nearly all those that signed the letter
- Discussions were productive and most localities understood CalHFA's requirements
- Discussions will continue to find solutions that meet all parties needs



Permanent Take-Out Requirements

- CalHFA must be conduit issuer when lender of 4% tax credit projects
 - CalHFA is taking financial risks (rate lock) and needs control during the construction period
 - Preferential loan terms and no CalHFA monitoring fee leave room for local revenue
 - CalHFA will ensure affordability and local needs and will provide written assurances



Financial Comparison

 The following table compares using CalHFA as lender and issuer vs. local issuance with another permanent lender* assuming a \$60 million issuance:

Bond Issuer	<u>Issuance</u> <u>Fees</u>	Monitoring Fees**	Net Permanent Loan Proceeds***	% of CalHFA
CalHFA (also lender)	\$80,000	\$0	\$50,000,000	100%
Contra Costa County	75,000	25,000	46,383,974	93%
Los Angeles County	75,000	75,000	45,558,381	91%
Alameda County	180,000	75,000	45,453,381	91%
Sacramento HRA	150,000	90,000	45,235,703	90%
San Diego HC	138,000	138,000	44,455,133	89%
City of Anaheim	150,000	150,000	44,244,991	88%

^{*} Assumes 40 year loan at 4.85% for CalHFA and 35 year amortization at 5.00% for other lenders

^{**} Percentage based on original bond issuance amount of \$60,000,000

^{***} Adjusts permanent loan amount by monitoring fees and nets out difference in issuance fees



Conduit Issuer Policies

- On projects where CalHFA is not the first lien lender, CalHFA will not issue bonds:
 - When local funds are used in the financing and the local wishes to be the issuer
 - When the CalHFA Local Review returns a negative response that is not overridden by state housing policy goals



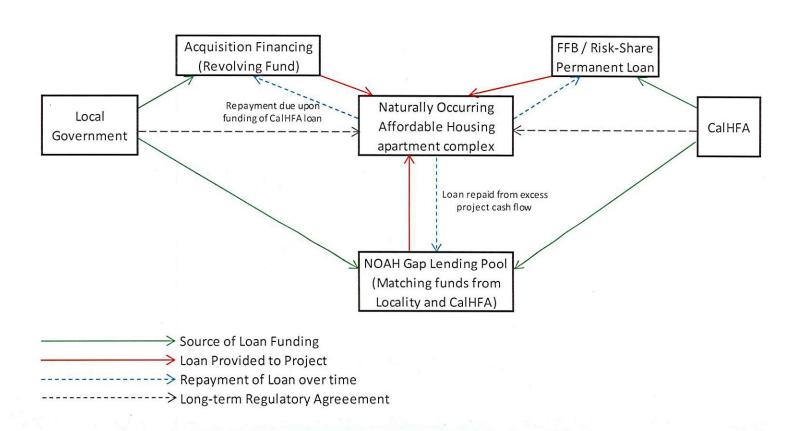
NOAH Loan Program

- Converting market rent projects to restrict some units at 80% of AMI
- High rent areas need units for "Missing Middle"
- Making up tax-credit subsidies is expensive
- Do locals have the resources to partner with CalHFA to fill gaps?



Missing Middle / NOAH

CalHFA Local Partnership Design for preserving Naturally Occurring Affordable Housing (NOAH) projects





Further Partnerships

- Special Needs Housing Program
- Accessory Dwelling Units
- Joint Down Payment Assistance